THE CLEARING CORPORATION OF INDIA LTD

Risk Management Department

No. RMD/FX-FF/19/43 **09 Sep'19**

FOR INFORMATION OF ALL MEMBERS

Forex Forward Segment

Dear Sir/Madam,

Changes to the Regulations of the Forex Forward Segment

Members are hereby advised that the Regulations of the Forex Forward Segment have been amended to strengthen CCIL's risk management framework by incorporating the following:

i) Take assistance from external rating agency to obtain short-term credit ratings
ii) Hike margins in case of adverse developments

2. The changes effected to the Regulations of the Forex Forward Segment are enclosed as **Annexure**.

3. The updated Regulations are available on our website (www.ccilindia.com) under Membership section and shall be effective from **October 14, 2019**.

Yours faithfully,

For The Clearing Corporation of India Ltd.,

Sd/-

Managing Director

Annexure to Notification No. CCIL/RMD/FX-FF/19/

THE CLEARING CORPORATION OF INDIA LIMITED

CHANGES TO REGULATIONS
(FOREX FORWARD SEGMENT)

CHAPTER I: INTRODUCTION

The Regulations framed hereunder shall be called as "The Forex Forward Regulation, 2004 *(as amended in ~~September~~ October ~~2018~~ 2019*)" of the Clearing Corporation of India Ltd.

CHAPTER VIII: RISK MANAGEMENT

A. SCOPE

1. This Chapter outlines the risk management policy of Clearing Corporation for its Forex Forward Segment. Clearing Corporation may after due notification, modify its practices relating to risk containment measures from time to time.
2. Clearing Corporation shall cover its risk through prescription of initial margin (including spread margin), mark to market margin, volatility margin and Concentration margin;
3. The risk exposure on the outstanding trades of the Members shall be computed based on Portfolio Value at Risk supplemented by recovery of additional amount as spread margin. Marking to market of outstanding trades shall also be carried out to capture risks from notional loss in the outstanding trade portfolios of the Members;
4. Clearing Corporation, after due notification, may set different margins for different Members, based on the ratings/gradings assigned to the Members on the basis of certain financial parameters including Net Worth, asset quality etc. as considered necessary by Clearing Corporation from time to time.

   Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.

   Notwithstanding the credit rating/grading, Clearing Corporation may hike margins in case of any regulatory actions/deterioration in financial position/adverse market report etc.
5. Clearing Corporation may, after due notification, set prudential limit for each member in terms of its aggregate outstanding trade exposure of the member (in terms of total volume of outstanding trades or otherwise, as may be decided by Clearing Corporation from time to time). Such limit may be set by Clearing

Corporation based on the member's nature of business, net worth or such other factors as may be considered appropriate by Clearing Corporation. In the event of any member exceeding such limit Clearing Corporation may set higher margin in the form of concentration margin for the member in respect of trades which are in excess of such limits.

6. Mark to market margins shall be collected based on settlement date-wise net USD buy or sale positions of the Members. Such margin shall be computed using the INR/USD forward exchange rates, as applicable, prevailing at the time of such computation and Clearing Corporation shall be entitled to use such rates for mark to market margin computation as it considers reasonable.